

Frequently Asked Questions (FAQ): New Broker Guide Updates

March 4, 2024

Q1: Explain the timing on the Form 6460 (Multifamily Underwriting Certificate).

The Form 6460 was revised on March 1, 2024 (via a Lender Letter) to extend the time frame for financial statements from 12 months to 15 months to account for some of the concerns around the dating of the financial statements. On March 4, 2024, the new version of the Form 6460 will be viewable in DUS Navigate.

For example, a Borrower has a year end 2022 financial statement with December 31, 2022 as the last day of the statement. That financial statement could be used until March 31, 2024 and still meet the 15 month time frame.

Q2: Regarding source documents, can documents be provided by the onsite management company and legal documents provided by Borrower's counsel?

If the Borrower has a contract with either the third-party management company, or if they own the management company, then it is an employee of their company providing the documents. In either case we would be typically comfortable receiving documents directly from the management company, as they have a contractual relationship and responsibility to the Borrower to collect, maintain, and generate that data.

Yes, legal documents may come from the Borrower's counsel.

Q3: Are re-engagements of third-party reports acceptable?

If a broker ordered any of the third-party reports, these cannot be re-engaged. A new report should be ordered.

However, if it was engaged by the Borrower, it may be used so long as you are comfortable with that third party and the reports meet the Guide requirements related to third-party reports. You need to review the scope of the third-party report to ensure that the parameters set are not biased or limited in any way.

Q4: If the investment sales broker provided a referral, then receives a portion of the origination fee, is that considered a brokered deal?

No, so long as it involves only an investment sales broker, and you control the transaction and the document chain of custody. We are focused on debt brokers.



Q5: Will we need a waiver if there is a broker involved in sourcing equity?

No, this is not considered a Brokered Transaction.

Q6: Regarding the waivers for brokers, do we need to be specific on waiving Birdsey?

Yes, we expect you to outline what you are requesting to be waived.

Q7: What is Fannie Mae's preferred course of action if we receive documents from the Sponsor, but the documents are indicated to be modified by the broker or a broker-affiliated person? (e.g., in Excel, under the Info tab, if there is a person named that is either the broker or someone who works for or under the broker/brokerage).

If the broker had any influence over any part of the transaction, you should be requesting new source information, a freshly generated report directly from the Sponsor (date stamped would be ideal) or their management company, or possibly seeking a new third-party report.

Q8: Can we order the Birdsey/Armada inspection prior to going under application?

Yes, you can order the Brokered Transaction Inspection at any time. However, if the transaction does not close, you will still be responsible for the cost of the report and payment to the vendor.

Q9: Can Armada/Birdsey conduct the third-party brokered inspection if they are also underwriting the transaction on behalf of a DUS Lender?

Armada/Birdsey may not conduct the Brokered Transaction Inspection if they are completing the Property Condition Assessment (PCA). However, if they are underwriting the deal, providing the Zoning Report, or other similar reports, then you may use Armada/Birdsey for the Brokered Transaction Inspection.

Q10: Will we be able to choose between Birdsey and Armada when engaging? Or will the inspection be assigned based on availability or other criteria?

Yes, you may choose between either vendor, as you will be ordering these inspections. Please note there are restrictions around using Armada if they are completing the PCA. Refer to the question above for more details.

Q11: Will the request go to both Birdsey and Armada so we can compare costs?

No, you will order from one or the other. Birdsey has a flat fee of \$750 per property. Armada's reports will also be \$750 PLUS travel reimbursement. Both have the potential for additional fees for expedited reports or remote property locations.

Q12: What happens if the independent report (Birdsey or Armada) is significantly different from the engineer's recommendations?

If the report is significantly different from your PCA, you would need to follow the new Guide requirements in Part II, Chapter 4: Inspections and Reserves, Section 402: Brokered Transactions, which



require you to reconcile the differences between the two reports in your Transaction Approval Memo, as well as document the property condition rating based on your own observations.

If you disagree with the rating on the Brokered Transaction Inspection, you may NOT order an inspection from the other vendor. You must follow the requirements set forth in Part II, Chapter 4: Inspections and Reserves, Section 402: Brokered Transactions.

Q13: For our inspection, if we are using a third-party underwriter, will we need to send out one of our employees to handle the inspection, or will we be able to use the third-party underwriter?

You will need to send out your own employee, who meets the requirements for a qualified employee, to inspect the Property.

Q14: Are the inspectors covered by their own insurance?

Yes.

Q15: Can we take the engineer's MBA Standard Inspection Form and update/fully complete if we go out on the same day?

We expect you to complete the inspection, but you may rely on the engineer's cost estimates or receive bids to determine costs for deferred maintenance, life safety items, etc.

Q16: How long does the Brokered Transaction Inspection report stay valid for?

Six months. Once the six months has expired, a new report must be ordered.

Q17: Will the new inspection app be available for underwriting inspections soon?

Per Multifamily Asset Management, this is available to use. However, they did advise it can be cumbersome to use at this point.

As a recommendation, you should reach out to Multifamily Asset Management to understand their process as they complete the MBA Standard Inspection Form on the back end.

Q18: Will we now be delivering our Lender MBA Standard Inspection Form as well as one prepared by the PCA vendor? In the vendor training, were they instructed not to complete the MBA Standard Inspection Form anymore, as we were instructed to start doing them?

No, only one MBA Standard Inspection Form is required, which must be completed by you on all deals (not just Brokered Transactions) going forward. PCA vendors are no longer going to complete the MBA Standard Inspection Form; you will be completing it in its entirety.

At the PCA vendor training in November, we did advise that they would no longer have to complete the MBA Standard Inspection Form but did advise it would be some time until implementation.

Q19: Is there a place where the most current MBA Standard Inspection Form can be accessed?

The MBA Standard Inspection Form can be accessed via MBA's website using this path:



Home / Industry Resources / CREF Professionals / Commercial and Multifamily Property Inspection Reports Reference Guide / Commercial and Multifamily Property Inspection Reports Reference Guide Access

Q20: Are the engineers not allowed to complete MBA Standard Inspection Forms on ALL deals or just brokered?

You are required to complete the MBA Standard Inspection Form on all deals.

Q21: How can we enter the broker's or correspondent's individual name into Gateway?

Right now, the broker/correspondent entry fields in Gateway are non-editable from the Lender's view. For data entry, there are two scenarios for a broker/correspondent deal:

If Soft Match Works - You can only do a soft match with an entity/account name at this time. Use the soft match if the account/entity name exists. You must chatter the first name and last name of the broker to your deal team.

If Soft Match Does Not Work – If the entity/account is new, then please let us know the entity brokerage name so we can create the account. After we create the account, you can soft match prior to submission. You must still chatter the first and last name of the broker/correspondent to your deal team.

Q22: Are waivers considered?

Fannie Mae will consider a waiver on Brokered Transactions for the following situations:

- 1. The broker is another DUS Lender.**
- 2. The broker has an ownership interest in a Lender but may still receive a fee for transactions.**
- 3. The Lender pays a broker a fee on any subsequent loan transaction that was previously originated with the same Lender and broker. Despite paying the fee to the broker, the Lender has full control of the subsequent deal with no broker involvement.**
 - i. Example – John Smith goes to Lender A via a broker for an acquisition and Mr. Smith's deal closes. Mr. Smith wants to refinance the same property with Lender A at maturity. Lender A has an agreement that a fee must be paid to the broker on any subsequent transactions with the same property and Mr. Smith, despite the broker not being involved.**